

## Message Text

CONFIDENTIAL

PAGE 01 STATE 149655

64

ORIGIN EB-11

INFO OCT-01 ARA-16 ADP-00 L-03 OPIC-12 H-03 AID-20 CIAE-00

INR-10 NSAE-00 RSC-01 /077 R

DRAFTED BY EB/IFD/OIA:WHCOURTNEY

7/30/73: X21414

APPROVED BY EB/IFD/OIA:MCKENNEDY

ARA/BR - DKEMP

ARA/ECP - JOLSEN (SUBS)

L/EB - FWILLIS (SUBS)

OPIC/D - PDICKERSON

EB/IFD - SWEINTRAUB (INFO)

ARA - DSZABO (INFO)

H - JMACKENZIE (INFO)

ARA/PLC - RBLOOMFIELD (INFO)

----- 094321

P 302212Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

AMCONSUL SAO PAULO PRIORITY

AMCONSUL RIO DE JANEIRO PRIORITY

C O N F I D E N T I A L STATE 149655

E.O. 11652: GDS

TAGS: EFIN, BR

SUBJ: EVALUATION OF OPIC PROGRAMS IN BRAZIL

REF: (A) SAO PAULO 921

1. DURING MAY/JUNE THE FOREIGN ECONOMIC POLICY SUBCOMMITTEE (CULVER, CHAIRMAN), HOUSE FOREIGN AFFAIRS COMMITTEE HELD OVERSIGHT HEARINGS ON OPIC. POSTS WILL RECALL THAT, IN PREPARATION FOR THESE HEARINGS, MEMBERS OF THE SUBCOMMITTEE (MESSRS. CULVER, WHALEN, AND RYAN) MADE AN INSPECTION TRIP TO SEVERAL LATIN AMERICAN COUNTRIES, INCLUDING BRAZIL.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 149655

2. PARTLY AS RESULT OF THIS VISIT, CONSIDERABLE DISCUSSION

IN THE HEARINGS CENTERED ON THE NEED FOR OPIC'S PROGRAMS IN BRAZIL. INTEREST IS ALSO PRESENT IN THE REEXAMINATION OF OPIC NOW GOING ON IN THE SENATE FOREIGN RELATIONS COMMITTEE. DEPARTMENT WOULD APPRECIATE YOUR CONSIDERED VIEWS ON FOLLOWING POINTS AT ISSUE WITH REGARD TO OPIC'S

INSURANCE AND FINANCING OF LONG-TERM EQUITY AND DEBT INVESTMENT.

A. HAS THE AVAILABILITY OF POLITICAL-RISK INSURANCE INCREASED THE FLOW OF US INVESTMENT TO BRAZIL? IS YOUR ANSWER DIFFERENT FOR THE LATE SIXTIES THAN FOR THE EARLY SEVENTIES? TO VARIOUS AREAS WITHIN BRAZIL WHICH NEED IT THE MOST, E.G., THE NORTHEAST? (REF WAS HELPFUL IN THIS REGARD.) WOULD INSURED US FIRMS REQUIRE A FASTER PAYOUT ON THEIR BRAZILIAN INVESTMENTS ABSENT OPIC INSURANCE?

B. IF OPIC HAS INDEED STIMULATED THE FLOW OF INVESTMENT, HAS THIS BEEN CONSISTENT WITH THE GOB'S DEVELOPMENT PLAN? DOES THE GOB REGARD OPIC'S PROGRAMS AS AN INTEGRAL PART OF ITS PLAN? ITS REGIONAL PLANS IN DEPRESSED AREAS SUCH AS NORTHEAST? TO WHAT EXTENT ARE OPIC'S PROGRAMS CONSISTENT WITH OTHER GOB NATIONAL ECONOMIC POLICIES, E.G., THE CENTRAL BANK'S DESIRE TO CONTROL THE INFLOW OF CAPITAL TO REDUCE INFLATIONARY PRESSURES?

C. DO US INVESTORS NEED LOAN GUARANTEES TO OBTAIN FINANCING FOR PROJECTS IN BRAZIL, OR ARE BRAZIL'S OWN BANKING FACILITIES ADEQUATE? WE UNDERSTAND THAT LOCAL BANKS WILL MAKE LOANS FOR AN EIGHT-TO-TEN YEAR PERIOD. WOULD POST CONFIRM THIS, AND INDICATE WHETHER SUCH FINANCING DEPENDS UPON SIZE OF COMPANY, NATURE OF PROJECT, AND AMOUNT OF SECURITY PLEDGED BY US PARENT? IS OPIC'S DIRECT LENDING CAPABILITY (DIF LOANS) A NECESSARY COMPLEMENT?

D. WHAT IS THE ATTITUDE OF THE CENTRAL BANK WITH  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 149655

RESPECT TO THE CONTINUANCE OF OPIC'S PROGRAMS? IS IT APPLYING MORE SELECTIVE SCREENING PROCEDURES IN APPROVING NEW PROJECTS FOR PURPOSES OF INSURANCE? FOR PURPOSES OF FINANCING?

E. DO YOU SUPPORT THE ISSUANCE OF POLITICAL-RISK INSURANCE TO COVER LARGE, AND PERHAPS SENSITIVE, RAW MATERIALS VENTURES IN BRAZIL? LARGE MANUFACTUR-

ING VENTURES? HOW DETERMINATIVE IN THE DECISION TO INVEST IN SUCH VENTURES IS THE AVAILABILITY OF OPIC'S INSURANCE?

F. SHOULD OPIC ENCOURAGE PARTICULARLY CERTAIN FORMS OF INVESTMENT (E.G., JOINT VENTURES), OR INVESTMENT IN CERTAIN PRIORITY ECONOMIC SECTORS? CAN SUCH

ENCOURAGEMENT BE USED TO ALTER THE PROFILE OF US INVESTMENT IN BRAZIL?

G. DO OTHER DEVELOPED COUNTRY INVESTORS UTILIZE POLITICAL-RISK INSURANCE, PARTICULARLY GERMAN AND JAPANESE?

H. COMMENTS ON ANY OTHER ASPECT OF OPIC'S ACTIVITIES AND PROGRAMS ARE WELCOME.

3. DEPARTMENT WOULD APPRECIATE REPLIES BY COB AUGUST 6.  
ROGERS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 JUL 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** worrelsw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973STATE149655  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** WHCOURTNEY  
**Enclosure:** n/a  
**Executive Order:** GS KENNEDY  
**Errors:** N/A  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t1973074/aaaaacss.tel  
**Line Count:** 135  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 73 (A) SAO PAULO 921  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** worrelsw  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16-Jan-2002 by smithrj>; APPROVED <28 FEB 2002 by worrelsw>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EVALUATION OF OPIC PROGRAMS IN BRAZIL  
**TAGS:** EFIN, BR  
**To:** BRASILIA RIO DE JANEIRO  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005